

## Message Text

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FM SECSTATE WASHDC

TO AMCONSUL JERUSALEM IMMEDIATE

S E C R E T STATE 090951

EXDIS TOSEC 177

S/S FOR ATHERTON

FOLLOWING REPEAT AMMAN 2522 ACTION SECSTATE 01 MAY

QUOTE

S E C R E T AMMAN 2522

EXDIS

E.O. 11652: GDS

TAGS: EAID, JO, US OVIP (C.P. HASSAN)

SUBJ: CROWN PRINCE HASSAN'S TRIP

1. DURING THE PAST FEW MONTHS WE HAVE HAD SEVERAL DISCUSSIONS WITH CP REGARDING US ECONOMIC ASSISTANCE AND OTHER RELATED ECONOMIC MATTERS. IN PART, THESE DISCUSSIONS HAVE BEEN IN CONTEXT OF CP'S FORTHCOMING TRIP TO THE US, BUT THEY HAVE STEMMED MORE BASICALLY FROM HIS EFFORTS TO RE-THINK JORDAN'S LONG-TERM DEVELOPMENT STRATEGY IN CONTEXT OF NEW POST-WAR POLITICAL CONDITIONS. IN PARTICULAR, THE PROBLEM OF REFUGEES AND FUTURE OF WEST BANK HAVE ADDED URGENCY TO THE CP'S EFFORTS TO FOCUS ENERGIES OF HIS SMALL BRAIN TRUST ON ANALYSING

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JORDAN'S LONG TERM POTENTIAL. AS DEPARTMENT AND AID/W

KNOW, AS RESULT OF CP'S ACTIVITIES PAPERS DESCRIBING JORDAN'S "PAST ACHIEVEMENTS AND FUTURE PROSPECTS", PLUS "FRAMEWORK" FOR A TEN YEAR PLAN TO FOLLOW THE PRESENT THREE-YEAR PLAN HAVE BEEN PREPARED. THE CP'S GROWING CONCERN WITH JORDAN'S LONG-TERM VIABILITY HAS ALSO PROMPTED HIM TO DEVOTE GREAT DEAL OF ATTENTION TO OIL AND MINERALS DEVELOPMENT AND PRIVATE INVESTMENT AS LOGICAL AVENUES FOR RELATIVELY RAPID ECONOMIC DEVELOPMENT. MORE RECENTLY, HE HAS ALSO LED RE-EXAMINATION OF JORDAN'S AGRICULTURAL POTENTIAL AS FIRST STEP TOWARD DEVISING PLANS AND POLICIES FOR MORE RAPID GROWTH IN THE AGRICULTURAL SECTOR.

2. AS A BACKDROP FOR HIS EFFORTS, CP REGULARLY CITES NEED TO REDUCE JORDAN'S DEPENDENCE ON INTERNATIONAL HAND-OUTS AND IN PARALLEL MANNER THE NEED TO GET PALESTINE REFUGEES IN JORDAN "OFF THE DOLE" AND INTO PRODUCTIVE EMPLOYMENT IN THE JORDANIAN ECONOMY. CONSEQUENTLY, ONE OF PRIMARY FOCUSES OF PAPERS HIS STAFF HAS PREPARED IS TO ANALYZE NUMBER OF JOBS THAT MUST BE CREATED IN THE DEVELOPMENT PROCESS IN ORDER TO ABSORB UNEMPLOYED OR UNDEREMPLOYED REFUGEES.

3. WHILE CP INEVITABLY HAS HIS WEAKNESSES, AND IS PULLED IN SO MANY WAYS AT ONCE THAT IT IS DIFFICULT FOR HIM TO DEVELOP A COHERENT APPROACH TO JORDAN'S NATIONAL STRATEGY, NONETHELESS, HE IS CLEARLY ACCEPTED AS JORDAN'S ECONOMIC LEADER. HIS LEADERSHIP IS VIGOROUS, HE IS INTELLIGENT AND HE WORKS VERY HARD.

4. IN OUR PRESENT DISCUSSIONS, CP HAS ATTEMPTED TO ARTICULATE HIS DESIRE FOR NEW RELATIONSHIP WITH U.S. IN ECONOMIC AID AREA. THE EXACT DEFINITION OF THIS NEW RELATIONSHIP AND ITS IMPLICATIONS ARE NOT YET VERY CLEAR. BASICALLY, HE WOULD LIKE TO DEVELOP CLOSER, MORE COLLABORATIVE ARRANGEMENTS WITH U.S. AS CORNERSTONE FOR BUILDING MORE EFFECTIVE AID RELATIONS WITH OTHER MAJOR DONORS AS WELL. HE CONTRASTS NEW RELATIONSHIP HE IS SEEKING WITH WHAT HE CALLS "AUDIT" RELATIONSHIP WHICH CHARACTERIZES MOST AID PROGRAMS NOW. BY THAT HE APPEARS TO MEAN THAT DONORS TEND TO STAND APART: THEY ASK GOJ TO PROVIDE DATA, PROPOSALS, ETC., THEY REVIEW MATERIAL AND PROJECTS, DEMAND ADDITIONAL INFORMATION,

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REQUIRE CERTAIN TYPES OF LEGAL AND OTHER ARRANGEMENTS; AND THEN THEY "AUDIT" WHAT GOVERNMENT DOES. WHAT CP WOULD LIKE IS FOR AID DONORS--AND ESPECIALLY THE US--TO ENTER INTO PROCESS MORE ACTIVELY AS PARTICIPANTS AND PARTNERS RATHER THAN AS AUDITORS.

5. NOW WITH REFERENCE TO WHAT CP WOULD LIKE TO ACHIEVE DURING HIS FORTHCOMING VISIT. HE DOES NOT HAVE WELL DEFINED OR PRECISE

GOALS IN MIND. IN GENERAL, HOWEVER, HS IS SEEKING USG "COMMITMENT" TO JORDAN'S LONG TERM DEVELOPMENT AND, OF COURSE, HE HOPES TO STIMULATE ADDITIONAL PRIVATE INTEREST AND INVESTMENT AS WELL. HE ACCEPTS THAT IT IS UNREALISTIC TO EXPECT COMMITMENT FOR ANY SPECIFIC LEVELS OF ASSISTANCE AND WE, OF COURSE, HAVE POINTED OUT IMPORTANCE OF LINKING INCREASED DEVELOPMENT ASSISTANCE TO REDUCTIONS IN BUDGET SUPPORT. HE PROPOSES TO DEMONSTRATE TO DEPARTMENT, AID AND IBRD THAT WITH HELP JORDAN CAN BECOME ECONOMICALLY INDEPENDENT OVER REASONABLE PERIOD OF TIME AND THAT GOJ IS COMMITTED TO DO SO. IN ADDITION, HE WILL POINT OUT THAT THIS PROCESS CARRIES WITH IT PROSPECT OF GRADUALLY SOLVING REFUGEE PROBLEM IN JORDAN BY THEIR ABSORPTION INTO ECONOMIC AND SOCIAL FABRIC OF THE COUNTRY. AND FINALLY, HE WILL ASK THAT USG WORK WITH GOJ IN DEVISING CLOSER, MORE COLLABORATIVE ECONOMIC RELATIONSHIP TO FACILITATE DEVELOPMENT OF JOINT GOALS. ETC.

6. AS GENERAL MATTER WE ENDORSE CP'S PROPOSALS. WE BELIEVE CP'S STAFF ARE OVERLY OPTIMISTIC REGARDING PACE AT WHICH JORDAN CAN DEVELOP. HOWEVER, OUR CALCULATIONS HAVE LED US TO CONCLUSION THAT, BASED ON ASSUMPTION THAT IT WILL PROVE POSSIBLE TO WORK OUT ACCEPTABLE SETTLEMENT IN THE NEAR EAST, JORDAN CAN INDEED BECOME FISCALLY SELF-SUSTAINING OVER FIVE TO TEN YEAR PERIOD. WE PLAN OVER NEXT TWO MONTHS TO DEVELOP RECOMMENDATIONS FOR PHASED SHIFT OF U.S. ASSISTANCE FROM CASH GRANT BUDGET SUPPORT TO MORE TRADITIONAL DEVELOPMENT ASSISTANCE. CONSIDERABLE WORK AND ANALYSIS IS NEEDED, HOWEVER, BEFORE WE CAN IDENTIFY OPTIONS OPEN TO US. SUCH A SHIFT MUST CONSIDER POTENTIAL IMPACT ON JORDAN'S MILITARY AND SECURITY APPARATUS (IN BOTH TECHNICAL AND POLITICAL TERMS). IT MUST TAKE INTO ACCOUNT DIFFICULTIES EXPERIENCED THUS FAR IN IDENTIFYING AND FORMULATING SENSIBLE DEVELOPMENT PROJECTS  
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WHICH WE COULD FUND. TIME PHASING WOULD HAVE TO BE WORKED OUT. AND FINALLY, WE WOULD HOPE TO DEVISE FORMULA WHICH WOULD PROVIDE INCENTIVE TO GOJ TO MAKE SHIFT MORE OR LESS WILLINGLY. WE--AND CP--REALIZE POLITICAL AND OTHER DIFFICULTIES IN SHIFTING FROM CASH GRANTS TO DEVELOPMENT ASSISTANCE ARE SUBSTANTIAL AND THAT SUBJECT MUST BE APPROACHED CAUTIOUSLY. HOWEVER, IT IS OBVIOUSLY IN OUR INTEREST AND WE SHOULD, THEREFORE, SUPPORT CP IN THIS DIRECTION.

7. WITH REFERENCE TO CP'S PROPOSAL FOR A NEW AID RELATIONSHIP, THIS WILL ALSO REQUIRE CONSIDERABLE THOUGHT AND DISCUSSION. OBVIOUSLY, A GREATER DEGREE OF INVOLVEMENT IN GOJ PROCESSES INVOLVES CERTAIN RISKS. IN ADDITION, WE DO NOT YET KNOW WHAT ADDED MONEY AND PERSONNEL REQUIREMENTS WOULD RESULT. IT WOULD ALMOST CERTAINLY REQUIRE AN INCREASE

IN TECHNICAL ASSISTANCE. HOWEVER, WE BELIEVE WE SHOULD MEET MOST OF THE NEEDS BY SHORT-TERM SPECIALISTS OF VARIOUS SORTS.

8. AS INDICATED EARLIER, CP CONSIDERS PROPOSED NEW AID RELATIONSHIP WITH U.S. TO BE FIRST STEP IN DEVELOPING BETTER RELATIONS WITH OTHER MAJOR DONORS AS WELL. HE RECOGNIZES NEED IN THIS CONNECTION FOR MORE EFFECTIVE COORDINATING MECHANISM. AT THIS STAGE HE IS OPPOSED TO IBRD CONSULTATIVE GROUP OR CONSORTIUM FOR JORDAN. HE QUESTIONS THEIR EFFECTIVENESS AND IS CONCERNED WITH "PUBLICITY" THEY ENTAIL-- THOUGH HE IS VAGUE ON WHY PUBLICITY TROUBLES HIM. HE APPEARS TO BE INCLINED TOWARD ATTEMPTING TO DEVELOP INSTITUTIONAL CAPACITY FOR COORDINATION WITHIN GOJ. THIS WOULD COVER ALL AREAS INCLUDING PLANNING AND PROJECT FOLLOW-UP. HE REALIZES THAT GOJ NOW DOING EFFECTIVE JOB AND NPC WOULD HAVE TO BE MUCH STRONGER IF IT WERE TO PERFORM THIS ROLE. HE MIGHT CONCEIVABLY ASK FOR ADVISORY ASSISTANCE IN THIS AREA, BUT HIS IDEAS DO NOT APPEAR SUFFICIENTLY WELL-FORMED YET. IN ANY CASE, HE MAY RAISE MATTER FOR DISCUSSION DURING HIS WASHINGTON VISIT.

9. CONCLUSION: THE CP'S TRIP COMES BEFORE WE HAVE HAD ADEQUATE OPPORTUNITY TO DIGEST HIS PROPOSALS FOR MORE SUBSTANTIAL AND CLOSER DEVELOPMENT RELATIONSHIP. WHILE HIS REQUEST FOR MORE ECONOMIC ASSISTANCE, ESPECIALLY WHEN  
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COUPLED TO REDUCTION IN BUDGET SUPPORT, IS IN U.S. INTEREST, CONSIDERABLE WORK REMAINS BEFORE WE CAN DEVELOP SPECIFIC PROPOSALS. CONSEQUENTLY, WE RECOMMEND THAT DEPARTMENT AND AID/W AGREE IN PRINCIPLE TO CP'S REQUEST AND COMMIT USG TO WORKING WITH GOJ IN DEVISING ACCEPTABLE APPROACH. WE ALSO RECOMMEND THAT USG AGREE TO WORK WITH GOJ IN DEVISING MORE EFFECTIVE ECONOMIC RELATIONSHIP, SUBJECT AGAIN TO REVIEW IN LIGHT OF ITS IMPLICATIONS FOR FUND AND PERSONNEL REQUIREMENTS.  
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